

PUBLIC DISCLOSURE

MARCH 28, 2023

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**ACADEMY MORTGAGE CORPORATION
MC3113**

**339 WEST 13490 SOUTH
DRAPER, UT 84020**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MASSACHUSETTS 02118**

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this mortgage lender. The rating assigned to this mortgage lender does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this mortgage lender.
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GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Academy Mortgage Corporation (Academy Mortgage or Lender)** pursuant to the Massachusetts General laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, prepared by the Division, the Lender's supervisory agency, as of **March 28, 2023**.

SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by CRA guidelines. A review of the Division's records, as well as the Lender's public CRA file, did not reveal any complaints related to CRA.

The CRA examination included a comprehensive review and analysis, as applicable, of Academy Mortgage's:

- (a) origination of loans and other efforts to assist low- and moderate-income (LMI) residents, without distinction, to be able to acquire or to remain in affordable housing at rates and terms that are reasonable considering the lender's history with similarly situated borrowers, the availability of mortgage loan products suitable for such borrowers, and consistency with safe and sound business practices;
- (b) origination of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;
- (c) efforts working with delinquent residential mortgage customers to facilitate a resolution of the delinquency; and
- (d) other efforts, including public notice of the scheduling of examinations and the right of interested parties to submit written comments relative to any such examination to the Commissioner of Banks (Commissioner), as, in the judgment of the Commissioner, reasonably bear upon the extent to which a mortgage lender is complying with the requirements of fair lending laws and helping to meet the mortgage loan credit needs of communities in the Commonwealth of Massachusetts (Commonwealth or Massachusetts).

CRA examination procedures were used to evaluate Academy Mortgage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Academy Mortgage's lending and community development activities for the period of January 1, 2020, through December 31, 2021. The data and applicable timeframes for the Lending Test and Service Test are discussed below.

The Lending Test evaluates a mortgage lender's community investment performance pursuant to the following six criteria: geographic distribution of loans, lending to borrowers of different incomes, innovative and flexible lending practices, loss mitigation efforts, fair lending, and loss of affordable housing.

Home mortgage lending data for 2020 and 2021 is presented in the geographic distribution, lending to borrowers of different incomes, and the minority application flow tables. Comparative analysis of the Lender's lending performance for 2020 and 2021 is provided as they are the most recent years for

which aggregate Home Mortgage Disclosure Act (HMDA) lending data is available. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting mortgage lenders that originated loans in Massachusetts.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the CRA examination also reflects an in-depth review of the entity's mortgage lending using qualitative analysis. This analysis includes, but is not limited to, an assessment of the suitability and sustainability of a mortgage lender's loan products by reviewing its internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks, local Registries of Deeds, and other sources available to the examination team. The examination included inspection of the Lender's individual loan files for review of compliance with consumer protection provisions and scrutiny of these files for the occurrence of disparate treatment based on a prohibited basis.

The Service Test evaluates the mortgage lender's record of helping to meet the mortgage credit needs by analyzing the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products, the extent and innovativeness of its community development services, and, if applicable, loss mitigation services to modify loans and/or efforts to keep delinquent home borrowers in their homes.

MORTGAGE LENDER'S CRA RATING

This mortgage lender is rated: "Satisfactory"

Lending Test: "Satisfactory"

- The geographic distribution of the Lender's loans reflects an adequate dispersion in LMI census tracts as compared to the distribution of owner-occupied housing in those census tracts.
- The distribution of borrowers, given the demographics of Massachusetts, reflects an adequate record of serving the credit needs among individuals of different income levels.
- Academy Mortgage exhibited use of innovative or flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI level individuals.
- Lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.
- Fair lending policies and practices are considered adequate.

Service Test: "Needs to Improve"

- Service delivery systems are accessible to geographies and individuals of different income levels in Massachusetts.
- Academy Mortgage did not provide community development activities within Massachusetts for the review period.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Academy Mortgage was established in the Utah in May 1988. The Division granted Academy Mortgage a mortgage lender's license on March 4, 2009, a third-party loan servicer registration on June 27, 2013, and mortgage broker license on August 14, 2017. Academy Mortgage is engaged in the underwriting, funding, and sale of residential mortgages. Academy Mortgage's main office is located at 339 West 13490 South, Draper, Utah. The Lender is licensed throughout the United States and maintains six branch locations throughout Massachusetts, located in Agawam, Beverly, Concord, Dalton, and Marblehead.

Academy Mortgage offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. Academy Mortgage is an approved lender for the Federal Housing Administration (FHA), Department of Veterans Affairs (VA), and United States Department of Agriculture (USDA), in addition to offering conventional loan products. Academy Mortgage's business development relies primarily on referrals and lead generators. The majority of originated loans are closed in the Lender's name and sold immediately to secondary market investors with servicing rights released. However, Academy Mortgage has a small number of portfolio loans and loans with retained servicing rights which are either serviced in-house or by its sub-servicer.

During 2020 and 2021, Academy Mortgage originated 3,180 loans totaling approximately \$851.5 million in Massachusetts.

Demographic Information

The Division's regulation 209 CMR 54.00 requires mortgage lenders to be evaluated on their performance within Massachusetts. Demographic data is provided below to offer contextual overviews of the economic climate along with housing and population characteristics for Massachusetts.

DEMOGRAPHIC INFORMATION OF THE COMMONWEALTH						
Demographic Characteristics	Amount	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,478	12.2	19.1	37.5	29.2	2.0
Population by Geography	6,705,586	10.1	18.6	38.9	31.9	0.5
Owner-Occupied Housing by Geography	1,583,667	3.4	13.8	44.4	38.3	0.1
Family Distribution by Income Level	1,620,917	23.3	16.4	19.4	40.9	0.0
Distribution of Low and Moderate Income Families	643,491	17.8	25.8	37.6	18.7	0.1
Median Family Income	\$93,145		Median Housing Value			\$358,764
Households Below Poverty Level	12.0%		Unemployment Rate			4.6%*
2020 HUD Adjusted Median Family Income	\$104,900		2021 HUD Adjusted Median Family Income			\$106,200

Source: 2015 American Community Survey (ACS); *Bureau of Labor Statistics as of 12/31/2021

Based on the 2015 American Community Survey (ACS), Massachusetts' population was above 6.7 million people with a total of 2.8 million housing units. Of the total housing units, 1.6 million or 56.4 percent are owner occupied, 966,054 or 34.5 percent are rental units, and 9.1 percent are vacant units.

According to 2015 ACS data, there are 2.5 million households in Massachusetts with a median of household income of \$74,527. Over 41 percent of households were classified as LMI. Twelve percent of the total number of households are living below the poverty level. Individuals in these categories may find it difficult to qualify for traditional mortgage loan products.

Households classified as "families" totaled slightly over 1.6 million. Of all family households, 23.3 percent were low-income, 16.4 percent were moderate-income, 19.4 percent were middle-income, and 40.9 percent were upper-income. The median family income reported by the 2015 ACS was \$93,145. The Department of Housing and Urban Development (HUD) adjusted median family income was \$104,900 in 2020 and increased to \$106,200 in 2021. The HUD adjusted median family income is updated yearly and takes into account inflation and other economic factors.

Massachusetts contains 1,478 census tracts. Of these, 181 or 12.2 percent are low-income; 282 or 19.1 percent are moderate-income; 555 or 37.5 percent are middle-income; 431 or 29.2 percent are upper-income; and 29 or 2.0 percent are NA or have no income designation. The tracts with no income designation are located in areas that contain no housing units and will not be included in this evaluation since they provide no lending opportunities. These areas are made up of correctional facilities, universities, military installations, and uninhabited locations such as the Boston Harbor Islands.

Low-income is defined as individual income that is less than 50 percent of the area median income. Moderate-income is defined as individual income that is at least 50 percent and less than 80 percent of the area median income. Middle-income is defined as individual income that is at least 80 percent and less than 120 percent of the area median income. Upper-income is defined as individual income that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$358,764 according to the 2015 ACS data. The unemployment rate for the Massachusetts as of December 31, 2021, was 4.6 percent, which was a decrease from December 31, 2020, at which time it was 7.7 percent, according to the Bureau of Labor Statistics. Employment rates would tend to affect a borrower's ability to remain current on mortgage loan obligations and also correlates to delinquency and default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TEST

LENDING TEST

The Lending Test evaluates a mortgage lender's record of helping to meet the mortgage credit needs of the Commonwealth through its lending activities. Lending performance is rated under six performance criteria: geographic distribution, borrower characteristics, innovative or flexible lending practices, loss mitigation efforts, fair lending policies and procedures, and loss of affordable housing. The following information details the data compiled and reviewed, as well as conclusions on the mortgage lending of Academy Mortgage.

Academy Mortgage's Lending Test performance was determined to be "**Satisfactory**" at this time.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well the Lender is addressing the credit needs throughout Massachusetts' low-, moderate-, middle-, and upper-income census tracts. The table below shows the distribution of HMDA-reportable loans by census tract income level. Lending activity is compared with the percent of owner-occupied housing units based on the 2015 ACS demographics and is also compared to aggregate lending performance in 2020 and 2021.

<i>Geographic Distribution of HMDA loans by Census Tract</i>						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	Lender #	Lender %	Lender \$(000s)	Lender %
Low						
2020	3.4	3.6	91	5.8	13,807	3.4
2021	3.4	4.2	85	5.2	16,918	3.8
Moderate						
2020	13.8	13.2	235	15.0	46,742	11.6
2021	13.8	14.3	239	14.8	51,432	11.5
Middle						
2020	44.4	42.9	797	51.0	202,306	50.1
2021	44.4	42.7	819	50.7	219,770	49.1
Upper						
2020	38.3	40.2	440	28.1	140,637	34.8
2021	38.3	38.6	473	29.3	159,500	35.6
Not Available						
2020	0.1	0.1	1	0.1	390	0.1
2021	0.1	0.2	0	0.0	0	0.0
Totals						
2020	100.00	100.00	1,564	100.0	403,882	100.0
2021	100.00	100.00	1,616	100.0	447,620	100.0
<i>Source: 2020 and 2021 Lender, 2020 and 2021 Aggregate HMDA Data and 2015 ACS</i>						

Academy Mortgage's geographic distribution of loans in LMI tracts was above the aggregate and demographics for 2020 and 2021. The Lender's performance of lending in LMI tracts decreased slightly from 20.8 percent in 2020 to 20.0 percent in 2021. Academy Mortgage's geographic distribution of residential mortgages is adequate.

II. *Borrower Characteristics*

The distribution of loans by borrower income levels was reviewed to determine the extent to which the Lender is addressing the credit needs of Massachusetts' residents. The table below illustrates HMDA-reportable loan originations and purchases, categorized by borrower income level that were reported by Academy Mortgage during 2020 and 2021, and compares this activity to 2020 and 2021 aggregate lending data and the percentage of families by income level within Massachusetts using the 2015 ACS demographics.

<i>Distribution of HMDA Loans by Borrower Income</i>						
Borrower Income Level	% of Families	Aggregate Performance % of #	Lender #	Lender %	Lender \$(000s)	Lender %
Low						
2020	23.3	5.0	332	21.2	43,867	10.8
2021	23.3	5.9	352	21.8	55,044	12.3
Moderate						
2020	16.4	17.3	477	30.5	94,699	23.5
2021	16.4	17.8	551	34.1	119,246	26.6
Middle						
2020	19.4	23.2	396	25.3	118,188	29.3
2021	19.4	22.5	348	21.5	112,600	25.2
Upper						
2020	40.9	42.6	353	22.6	145,135	35.9
2021	40.9	39.9	359	22.2	159,170	35.6
Not Available						
2020	0.0	11.9	6	0.4	1,993	0.5
2021	0.0	13.9	6	0.4	1,560	0.3
Totals						
2020	100.0	100.0	1,564	100.0	403,882	100.0
2021	100.0	100.0	1,616	100.0	447,620	100.0
<i>Source: 2020 and 2021 Lender, 2020 and 2021 Aggregate HMDA Data and 2015 ACS</i>						

Lending to low-income borrowers was below the percentage of families and above the aggregate for 2020 and 2021. Lending to moderate-income borrowers was above both the percentage of families and the aggregate for 2020 and 2021. The Lender's performance among LMI borrower increased from 2020 to 2021 from 51.7 percent to 55.9 percent.

According to the 2015 census data, 12 percent of the families within the Commonwealth have incomes below the poverty threshold; and would most likely not qualify for the home ownership

given high housing costs. The Lender's overall lending performance to LMI borrowers is adequate at this time.

III. *Innovative or Flexible Lending Practices*

Academy Mortgage offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals and geographies.

The Lender is an approved HUD direct endorsement mortgage lender for FHA loans. FHA products provide competitive interest rates and smaller down payment requirements for LMI first time homebuyers and existing homeowners. During the review period, Academy Mortgage originated 468 FHA loans totaling \$105.2 million. Of these, 400 benefited LMI individuals or geographies.

The Lender is a VA Automatic Approval Agent. The VA program is designed specifically for the unique challenges facing service members, veterans, and their families. The VA program offers low closing costs, no down payment, and no private mortgage insurance. During the review period, the Lender originated 80 VA loans totaling \$22.8 million. Of these, 40 benefited LMI individuals or geographies.

Academy Mortgage is an approved USDA Rural Housing program lender. The USDA program provides 100 percent financing for eligible homebuyers in rural-designated areas. This program is for home purchase transactions, which offers a fixed rate, does not require a down payment, and includes low- and moderate-income requirements. During the review period, the Lender originated 34 USDA loans totaling \$6.8 million. Of these, 28 benefited LMI individuals or geographies.

Academy Mortgage also offers Massachusetts Housing Finance Agency (MHFA) loans. MHFA loans allow borrowers to buy homes with lower down payments and provide flexible options targeted to LMI areas and borrowers. To be eligible for these loans, a borrower must meet the income and loan limit requirements and restrictions. During the review period, the Lender originated 798 MHFA loans for \$46.4 million, including second mortgage loans.

The Lender offers the Fannie Mae Home Possible and Freddie Mac Home Ready programs designed to assist eligible applicants obtain an affordable mortgage. During the review period, the Lender originated 32 loans totaling \$6.6 million in these programs that benefited LMI individuals or geographies.

IV. *Loss Mitigation Efforts*

The Division reviews a mortgage lender's efforts to work with delinquent home mortgage loan borrowers to facilitate a resolution of the delinquency, including the number of loan modifications, the timeliness of such modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures.

During the examination period, the majority of originations were sold on the secondary market with servicing rights released. Academy Mortgage is responsible for loss mitigation and delinquency management and works with delinquent homeowners to facilitate a resolution of the delinquency for loans serviced in-house. Various options may include forbearance and repayment plans, loan modifications, deeds in-lieu, and short sales. During the review period, Academy Mortgage did not

complete any Massachusetts mortgage loan modifications. The review of investor score cards revealed overall default rates to be consistent with industry averages. For the review period, lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.

V. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The Lender's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. The review included, but was not limited to, a review of written policies and procedures, interviews with Academy Mortgage's personnel, and individual file review.

Academy Mortgage has established a reasonable record relative to fair lending policies and practices. No evidence of discriminatory or other illegal credit practices was identified.

Minority Application Flow

Examiners reviewed Academy Mortgage's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics.

During 2020 and 2021, Academy Mortgage received 3,989 reportable mortgage loan applications from within Massachusetts. Of these applications, 397 or 10 percent were received from racial minority applications, and 293 or 73.8 percent resulted in originations. For the same period, Academy Mortgage received 457 or 11.5 percent of HMDA reportable application from ethnic groups of Hispanic or Latino origin, and 361 or 79.0 percent were originated.

This compares to the 79.2 percent overall ratio of mortgage loans originated by the Lender in Massachusetts in 2020 and 80.2 percent in 2021 and the 71.8 percent originated by the aggregate group in 2020 and 72.5 percent originated by the aggregate group in 2021.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 25.7 percent of total population per the 2015 ACS. At 15.2 percent, racial minorities consisted of 6.5 percent Black; 6.0 percent Asian/Pacific Islander; 0.1 percent American Indian/Alaskan Native; and 2.6 percent self-identified as Other Race. Ethnic minorities consisted of 10.5 percent Hispanic or Latino.

Refer to the following table for information on the Lender's minority application flow as well as a comparison to aggregate lenders throughout Massachusetts. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Lender received from minority applicants.

MINORITY APPLICATION FLOW						
RACE	2020 Lender		2020 Aggregate Data	2021 Lender		2021 Aggregate Data
	#	%	% of #	#	%	% of #
American Indian/ Alaska Native	2	0.1	0.2	4	0.2	0.2
Asian	34	1.7	6.5	37	1.8	6.6
Black/ African American	90	4.6	3.6	148	7.3	4.6
Hawaiian/Pac Isl.	0	0.0	0.1	3	0.2	0.1
2 or more Minority	2	0.1	0.1	3	0.2	0.1
Joint Race (White/Minority)	38	1.9	1.6	36	1.8	1.6
Total Minority	166	8.4	12.1	231	11.5	13.2
White	1,715	86.9	65.2	1,673	83.0	61.2
Race Not Available	93	4.7	22.7	111	5.5	25.6
Total	1,974	100.0	100.0	2,015	100.0	100.00
ETHNICITY						
Hispanic or Latino	202	10.2	5.1	181	9.0	6.0
Not Hispanic or Latino	1,655	83.9	70.4	1,676	83.2	67.4
Joint (Hisp/Lat /Not Hisp/Lat)	22	1.1	1.2	52	2.6	1.2
Ethnicity Not Available	95	4.8	23.3	106	5.2	25.4
Total	1,974	100.0	100.0	2,015	100.0	100.00

Source: 1/1/2020 - 12/31/2021 Lender HMDA Data, 2020 & 2021 HMDA Aggregate Data

In 2020 and 2021, Academy Mortgage's performance was below the aggregate's performance for racial minority applicants and above ethnic minority applicants of Hispanic origin. The Lender's performance increased from 2020 to 2021 for racial minority applicants from 8.4 percent to 11.5 percent. The Lender's performance increased for ethnic minority applicants from 11.3 percent to 11.6 percent.

VI. Loss of Affordable Housing

The review concentrated on the suitability and sustainability of mortgage loans originated by Academy Mortgage by taking into account delinquency and default rates of the Lender and those of the overall marketplace. Information provided by the Lender was reviewed, as were statistics available on delinquency and default rates for mortgage loans.

A review of information and documentation, from both internal and external sources as partially described above, did not reveal lending practices or products that showed an undue concentration of a systematic pattern of lending, including a pattern of early payment defaults resulting in the loss of affordable housing units.

SERVICE TEST

The Service Test evaluates a mortgage lender's record of helping to meet the mortgage credit needs in the Commonwealth by analyzing both the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products; the extent and innovativeness of its community development services; and loss mitigation services to modify loans or otherwise keep delinquent home loan borrowers in their homes. Community development services must benefit Massachusetts or a broader regional area that includes Massachusetts.

Academy Mortgage's Service Test performance was determined to be **"Needs to Improve"** during the evaluation period.

Community Development Services

A community development service is a service that:

- (a) has as its primary purpose community development; and
- (b) is related to the provision of financial services, including technical services

The Commissioner evaluates community development services pursuant to the following criteria:

- (a) the extent to which the mortgage lender provides community development services; and
- (b) the innovativeness and responsiveness of community development services.

During the examination period, Academy Mortgage did not participate in any community development services within the Commonwealth.

Management is encouraged to employ a strong focus and a proactive commitment in community development activities that meet the definition of community development under the CRA regulation throughout the Commonwealth. Other activities may include but are not necessarily limited to, financial literacy education initiatives targeted to low- and moderate-income individuals, and foreclosure prevention counseling, and/or providing technical assistance to community organizations in a leadership capacity.

Mortgage Lending Services

The Division evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage-lending services to LMI geographies and individuals.

Academy Mortgage provides an adequate delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in Massachusetts. The Lender offers a variety of mortgage products such as Fannie Mae Home Possible, Freddie Mac Home Ready, FHA, VA, USDA, and MHFA loans. Academy Mortgage has branches in a number of low- to moderate-income markets. Applicants can apply to Academy Mortgage for a mortgage over the telephone, through the online mortgage application portal, or in person. Academy Mortgage relies heavily on referrals, which are generated through strong relationships with business affiliates, such as realtors. During the examination period, a majority of originations were sold on the secondary market with servicing rights released.

As described above, lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable. Overall, the Lender provides an adequate delivery of mortgage lending services throughout the Commonwealth.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the Mortgage Lender Community Investment (CRA) regulation, require all mortgage lenders to take the following actions within 30 business days of receipt of the CRA evaluation of their mortgage lender:

- 1) Make its most current CRA performance evaluation available to the public.
- 2) Provide a copy of its current evaluation to the public, upon request. The mortgage lender is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the mortgage lender's evaluation, as prepared by the Division of Banks, may not be altered or abridged in any manner. The mortgage lender is encouraged to include its response to the evaluation in its CRA public file.

The Division of Banks will publish the mortgage lender's Public Disclosure on its website no sooner than 30 days after the issuance of the Public Disclosure.